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Dairy, Livestock, & Poultry Market Report

FMD Shatters Argentine and Uruguayan Hopes for Increased Beef Exports

Foot-and-Mouth Disease (FMD) outbreaks in Argentina and Uruguay are expected to sharply curtail their 2001 beef exports. Renewed outbreaks have shattered both countries' hopes of significantly expanding their shares in world markets for high-value fresh and frozen beef, something which appeared likely until recent FMD occurrences.¹

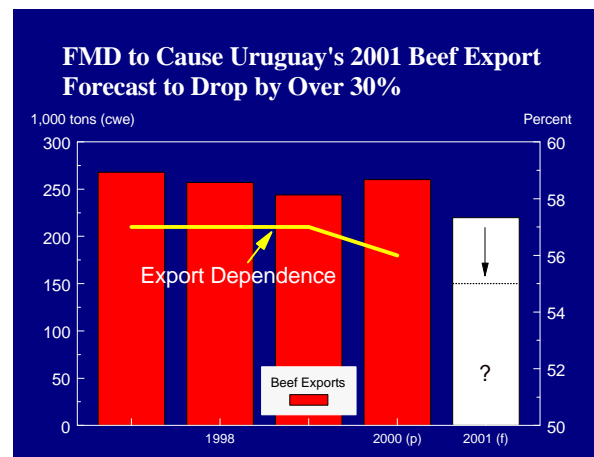
In response to these outbreaks, the United States and other major importing countries have imposed strict import measures on Argentina and Uruguay. United States policies allow imports of beef only if it has been thermo-processed, and thus prohibit imports of fresh and frozen raw beef. FAS/Buenos Aires estimates that total beef exports may decrease for Argentina by 29 percent and for Uruguay by 32 percent from USDA's previous forecast published March 2001.

Both countries chose to fight the disease through massive vaccination and not with large-scale livestock slaughter, as was done in the United Kingdom. It is expected that many markets for boneless fresh and frozen beef will begin reopening once Argentina and Uruguay progress in controlling the disease. However, exports to the United States and Canada, with Canada the fastest growing market for both countries over the past two years, will remain closed for fresh and frozen beef until the countries regain their FMD-free status.

Uruguay's 2001 Beef Export Forecast Reduced By One-Third...

When Uruguay experienced widespread FMD outbreaks in early April, the Government of Uruguay voluntarily banned fresh and frozen beef exports. Simultaneously, USDA/APHIS took immediate action to stop all imports of fresh beef, pork, and lamb from Uruguay. Numerous other importing countries took similar actions. As a consequence, FAS/Buenos Aires is initially reducing projected 2001 exports of beef by approximately one third from USDA's previous forecast published March 2001.

Shipments of boneless beef to the EU (20 percent of value) are expected to resume in the latter half of this year as the EU has imported from

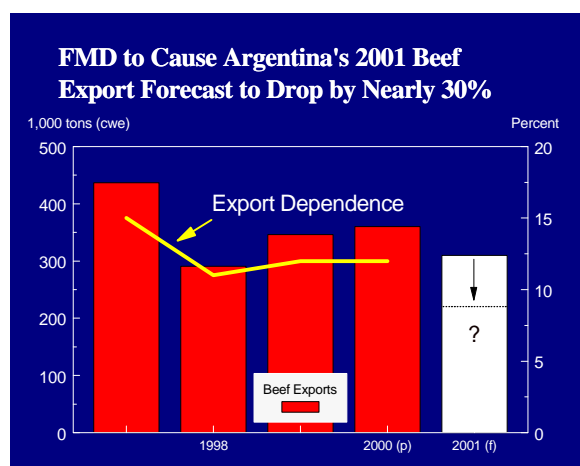


¹For more information on Argentina's and Uruguay's export scenarios for beef prior to the FMD outbreaks, refer to "Mercosur Countries are Beefing up Exports: Focus on Argentina and Uruguay" at: www.fas.usda.gov/dlp/highlights/2000/wmr_0727.html

Uruguay and Argentina even when they had not achieved FMD-free status. The United States and Canada, which, along with Mexico, took in 32 percent (value) of Uruguay's beef exports in 2000, will remain closed to such exports until the countries regain their FMD-free status.

The impact of the export halt on the livestock industry will be significant given that Uruguay's export dependence (the percentage of production which is exported) amounts to approximately 55 percent. Thus, the loss of export markets represents a serious blow to the livestock industry which cannot be absorbed by increased domestic consumption. With only a 2-percent increase in per-capita beef consumption forecast, Uruguay's beef sector will be forced to make major adjustments in slaughter rates.

... Argentina's 2001 Beef Export Forecast to Drop by Nearly 30 Percent



FAS/Buenos Aires expects Argentine beef exports for 2001 to fall by 29 percent from USDA's previous forecast published March 2001.

Argentina's widespread FMD outbreak has resulted in the closing of most export markets for Argentine fresh and frozen beef. This incident represents a serious blow to the hopes of the Argentine beef industry of expanding their market share. Argentine exporters were just re-initiating trade with the United States and Canada after having lost their markets from August to end of December 2000 because of the detection of some cattle with antibodies for foot and mouth disease.

However, in mid-March, after some weeks of denial and a change in the Secretary of Agriculture, the Government of Argentina declared that there were FMD outbreaks in the country.

Beef production in Argentina is expected to remain roughly the same for 2001 as the vaccination policy adopted by the government will have an insignificant impact on production. The government announced in mid-April that meat export plants would benefit from a small subsidy to offset the cost of temporarily laying off workers due to the significant reduction of business. Later it announced a series of tax advantages for meat packers which export at least 30 percent of their production. These measures may partially alleviate the serious crisis some export packers are going through (their losses are estimated to be \$40 million a month as a result of the FMD outbreaks).

For the four years prior to this FMD outbreak, Argentina's export dependence averaged about 13 percent, but with the temporary disappearance of their export markets for fresh and frozen beef, the final impact on the Argentine beef sector remains to be seen. Like Uruguay, Argentina is forced to deal with its excess supply through a combination of increased consumption, reduced slaughter, and a slight increase in thermo-processed production.

For more information, contact Michael Riedel at (202) 720-4185 (RiedelM@fas.usda.gov), or Mr. Joseph or Ms. Balbi at AgBuenosAires@fas.usda.gov